

**Bradley/Cleveland Services, Inc.**  
**Cleveland, Tennessee**

**Cost Report and Resident Accounts**  
**For the Period**  
**July 1, 2001, Through June 30, 2002**

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
State Capitol  
Nashville, Tennessee 37243-0260  
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John G. Morgan  
Comptroller

June 10, 2004

The Honorable Phil Bredesen, Governor

and

Members of the General Assembly

State Capitol

Nashville, Tennessee 37243

and

Mr. Manny Martins, Deputy Commissioner

Bureau of TennCare

729 Church Street, Fifth Floor

Nashville, Tennessee 37247

Ladies and Gentlemen:

Pursuant to Section 71-5-130, *Tennessee Code Annotated*, and a cooperative agreement between the Comptroller of the Treasury and the Department of Finance and Administration, the Division of State Audit performs examinations of nursing facilities participating in the Tennessee Medical Assistance Program under Title XIX of the Social Security Act (Medicaid).

Submitted herewith is the report of the examination of the Medicaid cost report of Bradley/Cleveland Services, Inc., Cleveland, Tennessee, for the period July 1, 2001, through June 30, 2002, and patient accounts for the period July 1, 2001, through June 30, 2002.

Sincerely,

John G. Morgan  
Comptroller of the Treasury

JGM/pn  
04/011

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report

**Bradley/Cleveland Services, Inc.**

Cleveland, Tennessee

For the Year Ended June 30, 2002

And Resident Accounts for the Period July 1, 2001, Through June 30, 2002

## FINDINGS RECOMMENDING MONETARY REFUNDS

### **Inaccurate Accumulation and Reporting of Resident Days**

The facility inaccurately reported resident days. The facility did not include hospital or therapeutic days on the cost report. The net effect was that Wright and Cate Houses were underreported by 100 and 144 days, respectively. All underreported days were paid by the state. These adjustments reduced the facility's computed cost. The total overpayment of \$161,615.88 should be refunded to the state (page 5).

### **Nonallowable Expenses Included on the Cost Report**

The facility reported \$7,516.69 of total nonallowable expenses on its cost report. The adjustment to allowable costs consists of \$6,276.09 not related to patient care and \$1,240.60 in unsupported expenses. The facility's Medicaid reimbursable rate was affected by the adjustment (page 6).

**Bradley/Cleveland Services, Inc.**  
**Cleveland, Tennessee**  
**Cost Report and Resident Accounts**  
**For the Period**  
**July 1, 2001, Through June 30, 2002**

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**Bradley/Cleveland Services, Inc.**  
**Cleveland, Tennessee**  
**Cost Report and Resident Accounts**  
**For the Period**  
**July 1, 2001, Through June 30, 2002**

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**INTRODUCTION**

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**PURPOSE AND AUTHORITY OF THE EXAMINATION**

The terms of contract between the Tennessee Department of Finance and Administration and the Tennessee Comptroller's office authorize the Comptroller to perform examinations of nursing facilities that participate in the Tennessee Medicaid Nursing Facility Program.

Under their agreements with the state and as stated on cost reports submitted to the state, participating nursing facilities have asserted that they are in compliance with the applicable state and federal regulations covering services provided to Medicaid-eligible recipients. The purpose of our examination is to render an opinion on the nursing facilities' assertions that they are in compliance with such requirements.

**BACKGROUND**

To receive services under the Medicaid Nursing Facility Program, a recipient must meet Medicaid eligibility requirements under one of the coverage groups included in the *State Plan for Medical Assistance*. The need for nursing care is not in itself sufficient to establish eligibility. Additionally, a physician must certify that recipients need nursing facility care before they can be admitted to a facility. Once a recipient is admitted, a physician must certify periodically that continued nursing care is required. The number of days of coverage available to recipients in a nursing facility is not limited.

An Intermediate Care Facility for the Mentally Retarded (ICF/MR) is a facility approved for Medicaid reimbursement and is required to provide routine nursing services, including supplies, that comply with current federal standards and certification. Medicaid pays for covered services through an all-inclusive per diem rate, less any available patient resources.

Bradley/Cleveland Services, Inc., Cleveland, Tennessee, is certified to provide ICF/MR services. Two of the eight homes operated by Bradley/Cleveland Services, Inc. are ICF/MR facilities. The facilities form a nonprofit Tennessee corporation that provides a program for the mentally retarded and multi-handicapped.

The board of directors officers for Bradley Cleveland Services, Inc., are as follows: Dr. Raymond Brown, Chairman, Dr. Sam Horner, Vice-Chairman, Mrs. Brenda Hughes, Secretary, and Mr. Larry Wright, Treasurer. Additional members of the Board of Directors are as follows: Ralph Summers, Dr. L.E.Wooten, Robert McEntire, Beth Evans, James H. Edgemon, M. Drew Robinson, Pat Ensley, Eddie Cartwright, Tom Rowland, and John P. Ramage.

During the examination period, the ICF/MR facilities maintained a total of 12 licensed nursing facility beds. The Division of Quality Assurance of the Department of Health licensed the facilities for these beds. Eligible recipients receive services through an agreement with the Department of Health. Of the 4,380 available bed days, 4,372 were for Medicaid ICF/MR patients for the year ended June 30, 2002. Also, the facility reported total operating expenses of \$1,457,832 for the period.

The Division of Quality Assurance inspected the quality of the facility's physical plant, professional staff, and patient services. The ICF/MR facilities met the required standards.

The following Medicaid reimbursable rates were in effect for the period covered by this examination:

<u>Period</u>	<u>ICF/MR (744-7107)</u>
July 1, 2001, to October 31, 2001	\$305.02
November 1, 2001, to June 30, 2002	\$348.92
	<u>ICF/MR (744-7108)</u>
July 1, 2001, to October 31, 2001	\$324.55
November 1, 2001, to June 30, 2002	\$375.79

## **PRIOR EXAMINATION FINDINGS**

This is the facility's first examination.

## **SCOPE OF THE EXAMINATION**

Our examination covers certain financial-related requirements of the Medicaid Nursing Facility Program for mental retardation. The requirements covered are referred to under management's assertions specified later in the Independent Accountant's report. Our examination does not cover quality of care, clinical, or medical provisions.



**STATE OF TENNESSEE  
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**Independent Accountant's Report**

**July 31, 2003**

The Honorable Phil Bredesen, Governor  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243  
and  
Mr. Manny Martins, Deputy Commissioner  
Bureau of TennCare  
729 Church Street, Fifth Floor  
Nashville, Tennessee 37247

Ladies and Gentlemen:

We have examined management's assertions, included in its representation letter dated July 31, 2003, that Bradley/Cleveland Services, Inc. has complied with the following requirements during the cost report period July 1, 2001, through June 30, 2002, and to the facility's resident accounts for the period July 1, 2001, through June 30, 2002.

- Income and expenses reported on the Medicaid Cost Report are reasonable, allowable, and in accordance with state and federal rules, regulations, and reimbursement principles.
- Patient days reported on the Medicaid Cost Report have been counted in accordance with state regulations. Medicaid patient days billed to the state for periods when residents were hospitalized or on therapeutic leave are in accordance with the 15-day hospital stay rule, the 85 percent occupancy rule, and the 60-day therapeutic leave day rule.



- Charges to patients and charges to patients' personal funds are in accordance with state and federal regulations.

As discussed in management's representation letter, management is responsible for ensuring compliance with those requirements. Our responsibility is to express an opinion on management's assertions about the facility's compliance based on our examination.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants, and accordingly, included examining on a test basis, evidence about Bradley Cleveland Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary under the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Bradley/Cleveland Services, Inc.'s compliance with specified requirements.

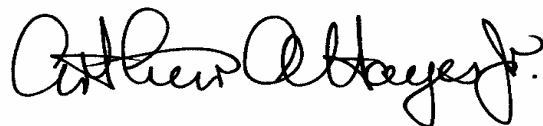
Our examination disclosed the following material noncompliance applicable to state and federal regulations:

- The facility reported inaccurate resident days
- The facility included nonallowable expenses on the cost report

In our opinion, except for the material noncompliance described above, management's assertions that Bradley/Cleveland Services, Inc. complied with the aforementioned requirements for the cost reporting period July 1, 2001, to June 30, 2002, and for resident accounts for the period July 1, 2001, to June 30, 2002, are fairly stated in all material respects.

This report is intended solely for the use of the Tennessee General Assembly and the Tennessee Department of Finance and Administration. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in black ink, appearing to read "Arthur A. Hayes, Jr.", with a stylized, cursive script.

Arthur A. Hayes, Jr., CPA,  
Director

AAH/pn

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## FINDINGS AND RECOMMENDATIONS

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### 1. INACCURATE ACCUMULATION AND REPORTING OF RESIDENT DAYS

#### Finding

Bradley/Cleveland Services, Inc. did not adequately support and report resident days on the “Intermediate Care Statement of Reimbursable Cost” for the fiscal year ended June 30, 2002. The facility failed to include hospital and therapeutic leave days in the total resident day accumulations. The facility underreported ICF/MR days for Wright House by 100 and Cate House by 144, for a total of 244 days.

Chapter 1200-13-6-.09(1)7 of the *Rules of Tennessee Department of Finance and Administration* defines an inpatient day as ‘that period of service rendered a patient between the census taking hours on two consecutive days. Chapter 1200-13-1-.06(32)(c) of the *Rules* states,

An ICF/MR facility will be reimbursed . . . for the recipient’s bed in that facility during the recipient’s temporary absence from that facility in accordance with the following:

1. For days not to exceed 15 days per occasion while the recipient is hospitalized and . . . [a]t least 85% of all other beds at the ICF/MR facility are occupied at the time of hospital admission.
2. For days not to exceed 60 days per state fiscal year and limited to 14 days per occasion while the recipient . . . is absent from the facility on a therapeutic home visit or other therapeutic absence.

Since the facility met the above criteria for billing of leave days, they should have been reported as inpatient days and such for census purposes.

As a result of the exclusion of paid hospital and therapeutic leave days from resident days accumulated, the Medicaid reimbursable rates were reduced as follows:

<u>Facility</u>	<u>Period</u>	<u>Original Rate</u>	<u>Adjusted Rate</u>	<u>Difference</u>
Wright House (744-7107)	November 1, 2002 through December 31, 2003	\$348.99	\$324.50	(\$24.49)
Cate House (744-7108)	November 1, 2002 through December 31, 2003	\$403.55	\$364.81	(\$38.74)

Overpayments made to the facility as a result of the above adjustments total \$62,596.44 for Wright House and \$99,019.44 for Cate House computed from November 1, 2002, through December 31, 2003 (total of \$161,615.88).

### **Recommendation**

Bradley/Cleveland Services, Inc. should include paid hospital and therapeutic leave days on the “Intermediate Care Statement of Reimbursable Cost ICF/MR Cost Report.” The facility should refund \$161,615.88, representing overpayments by the Medicaid Program, to the State of Tennessee, as a result of the rate reduction computed from November 1, 2002, through December 31, 2003.

### **Management’s Comment**

Bradley/Cleveland Services, Inc. concurs with your findings in this area. We also concur with the amount calculated as overpayments made to the facility as a result of audit adjustments in the amount of \$62,596.44 for Wright House and \$99,019.44 for Cate House computed from November 1, 2002, through December 31, 2003, for a total of \$161,615.88.

We were unaware of the definition of inpatient days as stated in Chapter 1200-13-6-.09(1)7 of the *Rules of Tennessee Department of Finance and Administration*. Since we were unaware of those definitions, we did not include hospital and therapeutic leave days in the total resident day accumulations. We have correctly reported the statistical data necessary for proper completion of the “Intermediate Care Statement of Reimbursable ICF/MR Cost Report” for the period from July 1, 2002, through June 30, 2003. We would additionally comment that the under-reporting for the audit period in question was made out of our lack of knowledge and not as an intentional misrepresentation of information. Bradley/Cleveland Services, Inc. concurs with the recommendations made in this area and further states that we have taken recommended steps to insure this error is not duplicated in the future.

## **2. NONALLOWABLE EXPENSES INCLUDED ON THE COST REPORT**

### **Finding**

Bradley/Cleveland Services, Inc. included \$7,516.69 of nonallowable expenses on the “Intermediate Care Statement of Reimbursable Cost” for the year ended June 30, 2002. For Cate House, the adjustment to allowable expenses consists of \$4,613.77 of expenses unrelated to patient care and \$620.30 of unsupported expenses. For Wright House, the adjustment consists of \$1,662.32 of expenses unrelated to patient care and \$620.30 of unsupported expenses.

Chapter 1200-13-6-.09(4) of the *Rules of Tennessee Department of Finance and Administration* states, “Adequate financial records, statistical data, and source documents must be

maintained for proper determination of costs under the program.” It also specifies that unnecessary costs and costs unrelated to patient care be deducted from allowable expenses.

The effect of the adjustments to allowable expenses on the facility’s Medicaid reimbursable rate is incorporated and reported in finding 1.

### **Recommendation**

Bradley/Cleveland Services, Inc. should include only allowable expenses on the “Intermediate Care Statement of Reimbursable Cost.” All reported expenses should be adequately supported and related to patient care.

### **Management’s Comment**

Bradley/Cleveland Services, Inc. concurs with your findings in this area and understands that the effect of the adjustments to allowable expenses on the facility’s Medicaid reimbursable rate is incorporated and reported in Finding 1.

Bradley/Cleveland Services, Inc. makes every effort to meet Chapter 1200-13-6-.09(4) of the *Rules of Tennessee Department of Finance and Administration*. During this audit, management also reviewed the financial records for proper determination of costs and source documents for each program as related to patient care. As a result, we were able to identify those amounts as stated in the audit finding. We have also replaced some of our accounting staff and have provided additional training for those staff. In addition, our independent audit firm has met with accounting staff and provided training and suggestions in this area. Also, our independent audit firm will be conducting a pre-audit review of expense allocations and supporting documentation until such time that we feel this additional review is no longer necessary. We would additionally comment that the inclusion of unallowable and unsupported expenses related to patient care for the audit period in question was not an intentional misrepresentation of information. Bradley/Cleveland Services, Inc. concurs with the recommendations made in this area and further states that we have taken necessary steps to insure this error is not duplicated in the future.

## **SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS**

### **Source of Overpayments**

Rate reduction – Wright House (see finding 1)	\$ 62,596.44
Rate reduction – Cate House (see finding 1)	<u>\$99,019.44</u>
Total	<u><u>\$161,615.88</u></u>

### **Disposition of Overpayments**

Due to the State of Tennessee	<u><u>\$161,615.88</u></u>
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